

**REGULAR STATE BANKING BOARD MEETING
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

May 30, 2013

The regular meeting of the State Banking Board was held in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota. Chairman Entringer called the meeting to order at 9:00 a.m., Thursday, May 30, 2013.

MEMBERS PRESENT: Robert J. Entringer, Chairman (*Office*)
Nancy Baerwald, Member (*Cando*)
Linda Beall, Member (*Office*)
Bill Daniel, Member (*Bismarck*)
Kim Larson, Member (*Office*)
Anita Quale, Member (*Office*)
Tom Stennes, Member (*Office*)

MEMBERS ABSENT: None

ALSO PRESENT: Aaron K. Webb, Secretary (*Office*)
Suzette Richardson, Administrative Staff Officer (*Office*)
Jan Murtha, Assistant Attorney General (*Office*)
Lise Kruse, Chief Examiner – Banks (*Office*)
Joan Becker, Director of Administration (*Office*)
Ryan Spah, Acting Supervising Examiner (*Office*)
Richard Olson, Olson Burns PC (*Office*)
Andrew Forward, Olson Burns PC (*Office*)
Dawn Ystaas, American Bank Center (*Office*)
Scott Bullinger, American Bancor (*Office*)

APPROVAL OF MINUTES

Chairman Entringer indicated the Board received copies of the minutes of the regular meeting held on March 14, 2013, and the special meeting held on May 6, 2013.

It was moved by Member Larson, seconded by Member Stennes, and unanimously carried to approve the March 14, 2013, and May 6, 2013, minutes as presented.

BANK CONVERSION APPLICATION – NORTH COUNTRY BANK NA, MCCLUSKY

Chairman Entringer indicated the Department received an application on April 16, 2013, to convert North Country Bank NA, McClusky (North Country), to a state charter.

Assistant Commissioner Webb reviewed his Memorandum dated April 23, 2013, indicating the authority to convert to a state charter is found under Section 6-03-13.5 of the North Dakota Century Code, and the requirements relating to chartering a state bank are found under Chapter 6-02 of the North Dakota Century Code. Assistant Commissioner Webb explained that the criteria for chartering a state bank can be found under Section 6-02-06 of the North Dakota Century Code.

Dawn Ystaas addressed the first criteria of whether the place where such banking association is proposed to be located is in need of further banking facilities. Ms. Ystaas indicated that North Country has been in existence for 107 years, with locations in McClusky, Goodrich, Mercer, Underwood, and Riverdale. Ms. Ystaas indicated North Country is the only bank located in McClusky, Underwood, and Mercer; while Goodrich and Riverdale are serviced for limited hours by other financial institutions.

Ms. Ystaas reviewed Call Report data for North Country and indicated she believes this information supports the need for continued services provided by North Country.

Scott Bullinger addressed the second criteria of whether the proposed association is adapted to the filling of such need. Mr. Bullinger indicated North Country is an existing entity that is filling the financial needs of five communities, and also referred to North Country's current business plan.

Mr. Bullinger addressed the third criteria of whether the proposed incorporators are possessed of such character, integrity, reputation, and financial standing as shown by a detailed financial statement to be furnished by them, and that their connection with the banking association will be beneficial to the public welfare of the community in which such bank is proposed to be established. Mr. Bullinger explained the current directors have the following years of banking experience: one over 40 years; one over 30 years, and several with 10-20 years. Mr. Bullinger reviewed the current organizational chart and indicated no changes are anticipated at this time. Mr. Bullinger explained several existing policies and procedures are outlined in the application which indicate North Country is operating efficiently.

Mr. Bullinger explained that North Country was acquired in 2012 by American Bancor, Ltd., which is a two-bank holding company providing financial support for North Country.

Ms. Ystaas explained the three incorporators listed in the proposed application are Scott Bullinger, Frank Friedrich, and herself, with 70 years of combined banking experience.

Mr. Bullinger addressed the fourth criteria of whether there are any reasons advanced by the applicants why they should be permitted to organize the proposed association and any reasons advanced by any person why such association should not be permitted to be organized. Mr. Bullinger reiterated that American Bancor, Ltd., is a two-bank holding company, and indicated that since American Bank Center is a state-chartered bank the applicant is requesting the conversion of North Country for the sake of consistency, with the possibility of merger in the future.

Member Larson questioned if North Country is required to become a state-chartered bank in order to merge in the future or is it basically a matter of dealing with one regulator. Ms. Ystaas indicated there is large difference as far as investment costs between OCC and state regulations. Mr. Bullinger added it would be more efficient for North Country to convert to a state charter.

Chairman Entringer indicated a Memorandum regarding the examination of North Country conducted by the Department was included in the Board agenda, but would have to be discussed in the confidential portion of this meeting.

Chairman Entringer reviewed the Checklist for Conversion that was also included in the Board agenda, indicating all areas have been complied with by the applicant.

As a result of Chairman Entringer polling the Board as to whether they feel all criteria have been addressed by the applicant, it was unanimous that all criteria have been met.

It was moved by Member Beall, seconded by Member Daniel, and unanimously carried to approve the application by North Country Bank NA, McClusky, to convert to a state charter.

Chairman Entringer indicated after Department counsel reviews the proposed Order submitted by the applicant, a special meeting will be scheduled so the Board can approve the Order.

All representatives for North Country Bank NA, McClusky, left the meeting at 9:25 a.m.

APPROVAL OF 2013 ANNUAL ASSESSMENT POLICY FOR STATE-CHARTERED BANKS AND TRUST COMPANIES

Joan Becker, Director of Administration, was present for the discussion of the 2013 Annual Assessment Policy for State-Chartered Banks and Trust Companies.

Chairman Entringer reviewed his Memorandum dated May 28, 2013, and attached projections with the Board. Chairman Entringer explained that rather than proposing a new formula for the assessments of state-chartered banks, the Department has prepared three proposed projections for the Board's consideration: no discount, 10% discount, or 12.5% discount.

Chairman Entringer also indicated the Department is proposing a change to the assessment for the Bank of North Dakota, which is .000015% of the total assets

of the Bank times 75% to phase in during the 2013-2015 biennium, as well as charging the Bank for Department examination fees.

Member Larson asked if charges to the Bank of North Dakota for Department staff time regarding other issues than the examination are included in the proposed 75% to phase into the assessment, or if those charges will be billed separately per an hourly rate. Chairman Entringer indicated these charges were not included in the proposal.

Chief Examiner Kruse explained she does track time spent on Bank of North Dakota issues; however, she does not want to completely discourage Bank employees from asking questions as this helps the overall examination process.

Chairman Entringer explained the Department's goal is to have a carryover of approximately 15-20% of the estimated expenses for the following year.

Chairman Entringer indicated he recommends the Board approve the current assessment formula for state-chartered banks, along with a 12.5% discount.

It was moved by Member Quale, seconded by Member Beall, and unanimously carried to approve the current assessment formula for state-chartered banks and trust companies, along with a 12.5% discount.

Chairman Entringer explained if the 2013 Annual Assessment Policy for State-Chartered Bank and Trust Companies is approved as presented it would include the proposed change to the Bank of North Dakota assessment.

It was moved by Member Larson, seconded by Member Stennes, and unanimously carried to approve the 2013 Annual Assessment Policy for State-Chartered Banks and Trust Companies as presented.

ITEMS TO BE NOTED

Chairman Entringer indicated that on March 18, 2013, he approved, as Commissioner, an application by Starion Financial, Bismarck, to establish an interstate branch at 326 South Grand Ave, Sun Prairie, WI.

Chairman Entringer indicated that on April 2, 2013, he approved, as Commissioner, an application by Bell State Bank & Trust, Fargo, to relocate its facility from 209 Dakota Ave, Wahpeton, to 717 2nd Ave N, Wahpeton.

Chairman Entringer indicated that on April 24, 2013, he approved, as Commissioner, an application by First Western Bank & Trust, Minot, to relocate its facility from 215 Main St, Glenburn, to 2105 16th St NW, Minot.

BANK BUDGET UPDATE

Chairman Entringer reviewed the March 31, 2013, Organizational Status Report by Summary Account.

DEPARTMENT STRATEGIC PLAN

Chairman Entringer indicated the Department Strategic Plan was developed years ago; however, was never presented to the State Banking Board or State Credit Union Board for discussion.

Chairman Entringer explained the Conference of State Bank Supervisors (CSBS) will be on-site at the Department in July as the Department is due for reaccreditation, and included in the review will be the Department's Strategic Plan.

Chief Examiner Kruse reviewed the Department Strategic Plan in detail with the Board, adding that it outlines Department goals.

It was suggested the Department Strategic Plan be an agenda item annually each May so that the Board can be updated as to progress and/or changes.

The Board went into closed session at 9:58 a.m. to review the Supervisory Reports of Examination pursuant to North Dakota Century Code 6-01-07.1., and reconvened to open session at 11:10 a.m.

TRUST COMPANY CHARTER APPLICATION

Chairman Entringer indicated a hearing will be held regarding an application to establish a new trust company, and that the Department has requested an administrative hearing officer be appointed.

NANCY BAERWALD BOARD TERM

Chairman Entringer indicated Member Baerwald's term expires June 30, 2013. Member Baerwald indicated she has been reappointed for another term and received that notification from the Governor's Office.

The meeting adjourned at 11:13 a.m.

Robert J. Entringer, Chairman

Aaron K. Webb, Secretary